

MEMORANDUM FOR: Colonel White

27 January 1954

SUBJECT : Covert Board of Directors

1. I have reviewed the proposal to establish a Covert Board of Directors to provide top-level managerial direction to the major proprietary projects of CIA. Apparently this Board would be a mandatory reference point for the exercise of certain basic authorities concerning capital structure, the creation of debt, etc. It would also have funds and discretionary authority to provide additional capital required to carry out its determinations within controlled budgetary limitations. Lastly it would generally review reports on proprietary projects and with the assistance of professional consultants make appropriate decisions.

2. This proposal would undoubtedly bring to bear upon proprietary projects a higher level of professional competence and judgment. It would also, in theory, make possible more expedient and flexible determinations. The proposal, however, would be effective and workable only to the degree with which CIA can concurrently consolidate its present cumbersome and unwieldy machinery for the planning, control, direction, and exploitation of its proprietary activities.

3. I am confident that an objective analysis of our many difficulties with proprietary activities will reveal that they have been caused by:

- a. Inadequate, unrealistic and short-range planning.
- b. Failure to engage competent management for the venture itself.
- c. Failure to control management by clearly delineating its authorities and responsibilities and by maintaining responsive liaison and direction.
- d. Excessive and too rapid operational exploitation of the operational aspects of the project regardless of cover and managerial considerations.

4. To remedy our observed deficiencies in these areas CIA has developed a number of overlapping and pyramiding staffs with such limited capability and overlapping authorities that effective management is impossible. These staffs now include the following:

- a. Project Administrative Planning Staff
- b. Cover Division
- c. Commercial Division
- d. Auditor-in-Chief
- e. Office of the General Counsel
- f. Heads of all CIA administrative components

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- g. Staffs of COA/DDP and the DD/A.
- h. The area division or other operational component.
- i. Executive Committee

In my opinion it is impossible to coordinate and correlate the views, functions and responsibilities of all of these officials and components and at the same time maintain effective operational and managerial direction and control.

5. In lieu of all of these officials and staffs I recommend the establishment of a single full-time management staff. This staff would have full responsibility and authority for the planning, implementation and continuing direction of the commercial or management aspects of all so-called subsidy and proprietary projects.

6. Recognizing that operations are the sole justification for such activities there will always be the basic problem of balancing the responsibilities for the operational direction and control of the activity with the responsibility of the management staff for commercial and administrative control and direction. This is neither an impossible nor difficult problem if basic principles are laid down and adhered to. There are:

a. The operational and the management aspects of every proprietary activity must be kept in balance at all times. This can only be done if there is an operational project officer and a management case officer for every such project. These two must work as a team with joint and not independent authority, must both have equal and concurrent access to all communications, liaison facilities and channels.

b. The official within the proprietary activity actually conducting and responsible for the day by day covert operations and management of the project must understand that he has a comparable responsibility for maintaining absolute balance between operations and management. If there are two such officials, one having primary operational responsibility and the other management responsibility, they must be fully aware of the fact that their combined responsibilities and authorities are joint and not several. The maintenance of continuing balance between operations and management is the essential key to both successful operational exploitation and effective management.

7. The management staff itself under my concept should have complete authority within its area of specialized responsibility. It should be a small staff of exceptionally competent commercial executives trained in covert techniques. In its functions and competence it should replace most of the present staffs involved in proprietary activities. It should be empowered to call upon all administrative components for technical assistance and services and it should have a consultant panel of external legal and commercial advisors.

8. Lastly it must be expected that there will be numerous instances of conflicting and divergent views between the management staff and the operating offices. At this level an Executive Board of Directors might well be established.

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This Board should be answerable to the Director and within defined limits should have both authority and funds to take decisive and expedient action.

9. This analysis and proposal is necessarily cursory. However, I believe it is pointed at the real weaknesses in our present situation and indicates a method of ensuring more effective handling of proprietary activities.

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